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**California Efficiency + Demand Management Council Oral Statement
on DR RAAIM Exemption Options at July 15, 2021 CAISO Board of Governors Meeting**

Good morning. My name is Greg Wikler and I am the Executive Director of the California Efficiency + Demand Management Council.

Thank you for the opportunity to address the Board of Governors regarding the CAISO's RAAIM Exemption Option for Demand Response Resources stakeholder initiative. First, I would like to thank CAISO staff for moving this initiative forward as quickly as they have. This is a key element to implementing the CPUC's Decision 21-06-029 that authorized the treatment of demand response as a variable energy resource and therefore exempt from the RAAIM.

The proposed tariff language specifies that for a demand response resource to qualify for exemption from the RAAIM, its Qualifying Capacity value must be established through an Effective Load Carrying Capability, or ELCC, methodology that assesses the contribution of demand response resources to reliability across all periods of the year as well as the saturation effects of adding more of the same resources. The tariff language also specifies the key principles that must be reflected in the ELCC methodology and that the methodology must be acceptable to both the CAISO and the relevant Local Regulatory Authority.

The Council has three major concerns with proposed tariff language. The first is that it seeks to dictate the specific type of methodology used to determine the capacity value of demand response resources as a precondition for RAAIM exemption. The second is that it violates the CAISO's own tariff with regard to the CAISO's role in determining a resource's capacity value. The third is the CAISO's continued insistence on using an ELCC methodology that has not been proven to effectively reflect the reliability value of demand response.

By specifying that an ELCC methodology, and only an ELCC methodology, qualifies demand response for RAAIM exemption, the proposed tariff language allows no room for any other methodology to be used. This could inappropriately influence the upcoming working group process, adopted by the CPUC in June, that will be led by the CEC to develop a new demand response Qualifying Capacity methodology. It bears noting that in this same decision, the CPUC explicitly stated that using an ELCC methodology was not a precondition for DR resources to qualify for a RAAIM exemption. Therefore, the CAISO's proposed tariff language is in direct conflict with the CPUC because it would predetermine the methodology developed through the CEC-led process and would violate the CPUC directive that an ELCC methodology is not required. If this proposed tariff language is approved, the Council can foresee the CAISO leveraging this in the CEC-led process to force parties and the CEC to adopt an ELCC methodology on the basis that the CAISO's hands are tied by their tariff. This is not how the

CEC-led process is meant to work. Instead, it is meant to consider different types of DR QC methodologies, including ELCC, but the CAISO's tariff language would prevent this.

Our second primary concern in the tariff's requirement is that both the CAISO and relevant Local Regulatory Authority must agree on a DR QC methodology to qualify for RAAIM exemption. This is contrary to the CAISO's own tariff which places QC valuation solely under the LRA's jurisdiction. CAISO tariff Section 40.4.1 states, "The CAISO shall use the criteria provided by the CPUC or Local Regulatory Authority to determine and verify, if necessary, the Qualifying Capacity of all Resource Adequacy Resources." The proposed tariff language would create a conflict within the CAISO's tariff.

Finally, I would like to express our deep concern with the CAISO's insistence on using an ELCC methodology to determine the capacity value of demand response. CAISO staff often portrays it as an industry-standard methodology. This may be the case for other types of resources throughout the country, but this is not the case for demand response. To be clear, the Council is not opposed to a demand response ELCC methodology in principle, but the fact remains that it is unproven at this point. One only need to look at the written stakeholder comments following the June 24 CAISO workshop at which E3 presented its refreshed ELCC analysis of IOU DR programs. In it, stakeholders widely questioned the accuracy of the analysis and expressed strong concerns about that its lack of transparency. In the Council's view, it is entirely premature for the CAISO to lock in a demand response ELCC methodology in its tariff when its accuracy and viability are not yet proven.

In summary, the Council requests that the CAISO revise its tariff language in two ways: first, eliminate the specific reference to an ELCC methodology and any required principles, and second, align it with the existing CAISO tariff and eliminate the CAISO's proposed role in determining the acceptability of a demand response Qualifying Capacity methodology to qualify for RAAIM exemption.

Thank once again for this opportunity to provide this oral statement. I am happy to answer any questions the Board may have.

Sincerely,



Greg Wikler
Executive Director
California Efficiency + Demand Management Council